

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name Alba Fire Department	County Antrim
Fiscal Year End December 2006	Opinion Date August 21, 2007	Date Audit Report Submitted to State September 13, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.


We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES ☒ NO ☐ Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input type="checkbox"/>	N/A	
Other (Describe)	<input type="checkbox"/>	N/A	
Certified Public Accountant (Firm Name) Dan Smith, CPA		Telephone Number (989)732-1441	
Street Address 114 S Center Avenue Suite 108		City Gaylord	State MI
Authorizing CPA Signature 		Printed Name Dan Smith	Zip 49735
		License Number 1101020912	

**ALBA FIRE DEPARTMENT**  
**ANTRIM COUNTY, MICHIGAN**  
**AUDITED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2006**

**DEPARTMENT OFFICIALS**

PRESIDENT

ROBERT BECKNER

TREASURER

LINDA MYERS

SECRETARY

BETA FRANCIS

**TRUSTEES**

ROBIN ROBINSON

PAT MILLIGAN

**ALBA FIRE DEPARTMENT  
TABLE OF CONTENTS**

	<b>PAGE</b>
<b>INDEPENDENT AUDITOR'S REPORT</b>	I – II
Management's Discussion and Analysis	III – V
<b>FINANCIAL STATEMENTS</b>	
<b><u>Government-Wide Financial Statements</u></b>	
Statement of Net Assets	1
Statement of Activities	2
<b><u>Fund Financial Statements</u></b>	
<u>Government Funds</u>	
Balance Sheet	3
Reconciliation of the Balance Sheet to the Statement of Net Assets	4
Statement of Revenues, Expenditures and Changes in Fund Balance	5
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities	6
<b>NOTES TO FINANCIAL STATEMENTS</b>	7 - 15
<b>REQUIRED SUPPLEMENTAL INFORMATION</b>	
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund	16

**INDEPENDENT AUDITOR'S REPORT**

August 21, 2007

To the Department Board  
Alba Fire Department

I have audited the accompanying financial statements of the governmental activities and the major fund of Alba Fire Department, Antrim County, Michigan as of and for the year ended December 31, 2006, which collectively comprise the Department's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Department's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

The Department is awaiting the final outcome from a legal matter between Star and Chestonia Township. The outcome will not have an adverse effect on these financial statements. It may, however, have a positive effect. The amount potentially due to the Department has not been determined, and is not recorded in these financial statements. See Management's Discussion and Analysis and Note H for further comment.

In my opinion, with the exception of the matter in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and the major fund of Alba Fire Department, Antrim County, Michigan as of December 31, 2006, and the respective changes in financial position, thereof and for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages III – V and budgetary comparison information on page 16, is not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, I did not audit the information and express no opinion on it.

A handwritten signature in black ink, appearing to read 'D. Smith', with a stylized, looping flourish at the end.

Daniel S. Smith, CPA

# **ALBA FIRE DEPARTMENT**

## **ALBA FIRE DEPARTMENT MANAGEMENT'S DISCUSSION & ANALYSIS YEAR ENDED DECEMBER 31, 2006**

This section of Alba Fire Department's annual financial report presents our discussion and analysis of the Department's financial performance during the fiscal year ended December 31, 2006. Please read it in conjunction with the financial statements, which immediately follow this section.

### **FINANCIAL HIGHLIGHTS**

Department assets at December 31, 2006, as reported in the Statement of Net Assets, totaled approximately \$359,000 for governmental activities. Of the total Department assets, approximately \$272,500 represents capital assets net of depreciation.

Overall revenues were approximately \$79,000 (\$4,000 from program revenues and \$75,000 from general revenues). Overall expenses approximated \$92,600.

The Department did not incur any new debt instruments during the year, there were however, debt service payments. Long term debt and capital asset activity is addressed further in a subsequent section of this letter.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of three parts: management's discussion & analysis, the basic financial statements, and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Department.

The first two statements are government-wide financial statements and provide both long and short-term information about our overall financial status. These statements present the governmental activities of the Department. The Department does not engage in any business-type activities.

The remaining statements are fund financial statements, which focus on individual parts of the Department in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

## **GOVERNMENT-WIDE FINANCIAL STATEMENTS**

The government-wide statements report information about the Department as a whole using accounting methods used by private companies. The Statement of Net Assets includes all of the entity's assets and liabilities. The Statement of Activities records all of the current year revenues and expenses regardless of when received or paid.

The two government-wide statements report net assets and how they have changed. Net assets are the difference between the Department's assets and liabilities; this is one method to measure the Department's financial health or position.

Over time, increases or decreases in an entity's net assets is an indicator of whether financial position is improving or deteriorating.

To assess overall health of an entity, you may also have to consider additional factors such as tax base changes, facility conditions, and personnel changes.

All of the activities of the Department are reported as governmental activities.

## **FUND FINANCIAL STATEMENTS**

The fund financial statements provide more detailed information about the Department's funds, focusing on significant (major) funds, not the Department as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. The Department Board also may create them. Funds are established to account for funding and spending of specific financial resources and to show proper expenditure of those resources.

The Department has the following types of funds:

**Governmental Funds:** All of the Department's activities are included in the governmental fund category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. You will note that the differences between the Department's government-wide statements and the fund statements are disclosed in reconciling statements to explain the differences between them.

## **FINANCIAL ANALYSIS OF THE DEPARTMENT AS A WHOLE**

**Net Assets:** The Department's combined net assets decreased approximately \$13,231 during the year ended December 31, 2006 totaling \$198,559.

The decrease is mainly due to the depreciation expense (\$44,645) related to our capital assets.



## **FINANCIAL ANALYSIS OF THE DEPARTMENT AS A WHOLE (CONTINUED)**

**Government Funds:** The fund balances for governmental funds increased \$20,673. The increase is greater than the "net assets" increase because the depreciation expense is recorded in the statement of activities but not in the fund statements.

## **FINANCIAL ANALYSIS OF THE DEPARTMENT 'S FUNDS**

**General Fund:** This fund is the only fund and is used to record all activities of the Department. The major source of revenue for the general fund is the Chestonia Township tax base. The major expenses for this fiscal year include the general operating activities of the Department, including debt service.

## **CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY**

**Capital Assets:** The Department purchased no major equipment this past year.

**Long-Term Debt:** The Department continues to service the capital lease payment of the 2000 fire truck pumper. Total debt service was \$20,969 for the year.

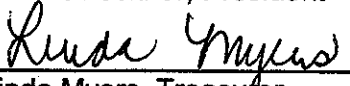
## **KNOWN FACTORS AFFECTING FUTURE OPERATIONS**

As of August 21, 2007, the Department was waiting for the final outcome of a legal matter between the Townships of Star and Chestonia. It is the contention of the Chestonia Township officials that tax dollars levied by Star Township over the past several years have not been appropriately paid over to the Alba Fire Department.

## **CONTACTING DEPARTMENT MANAGEMENT**

This financial report is designed to provide our taxpayers, creditors, investors and customers with a general overview of the Department's finances and to demonstrate the Department's accountability for the revenues it receives. If you have any questions concerning this report please contact one of the following Department officials.

  
Robert Beckner, President

  
Linda Myers, Treasurer

**ALBA FIRE DEPARTMENT  
STATEMENT OF NET ASSETS  
AS OF DECEMBER 31, 2006**

**ASSETS**

**Current Assets:**

Cash	\$ 17,769
Taxes Receivable	68,773
	<hr/>
Total Current Assets	86,542
	<hr/>

**Noncurrent Assets:**

Equipment	807,516
Accumulated Depreciation	(534,936)
	<hr/>
Total Noncurrent Assets	272,580
	<hr/>
<b>Total Assets</b>	<b>359,122</b>
	<hr/> <hr/>

**LIABILITIES**

**Current Liabilities:**

Current portion of Capital Lease Payment	11,483
Dut to Chestonia Township	20,439
	<hr/>
Total Current Liabilities	31,922
	<hr/>

**Noncurrent Liabilities:**

Capital Lease Payable	128,641
	<hr/>
<b>Total Liabilities</b>	<b>160,563</b>
	<hr/>

**NET ASSETS**

Net Assets, Unrestricted	66,103
Investment in Fixed Assets, Net of Long-Term Debt	132,456
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<b>Total Net Assets</b>	<b>\$ 198,559</b>
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See accompanying notes to the financial statements

**ALBA FIRE DEPARTMENT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2006**

<b>P R O G R A M    R E V E N U E S</b>				<b>NET REVENUE (EXPENSE) AND CHANGES IN NET ASSETS</b>
<b>EXPENSES</b>	<b>CHARGES FOR SERVICES</b>	<b>OPERATING GRANTS AND CONTRI- BUTIONS</b>	<b>CAPITAL GRANTS AND CONTRI- BUTIONS</b>	
<b>GOVERNMENTAL ACTIVITIES:</b>				
Fire & Rescue Services	\$ (92,600)	\$ -	\$ 4,042	\$ -
				\$ (88,558)
<b>GENERAL REVENUES</b>				
Property Taxes				73,718
Interest Income				811
Miscellaneous				798
Total General Revenues				75,327
Change in Net Assets				(13,231)
<b>Net Assets - Beginning of Year</b>				211,790
<b>Net Assets - End of Year</b>				\$ 198,559

See accompanying notes to the financial statements

**ALBA FIRE DEPARTMENT  
BALANCE SHEET - GENERAL FUND  
AS OF DECEMBER 31, 2006**

**ASSETS**

**Current Assets**

Cash	\$ 17,769
Property Taxes Receivable	68,773
	<hr/>
Total Current Assets	86,542
	<hr/> <hr/>

**LIABILITIES AND FUND EQUITY**

**Liabilities**

Dut to Chestonia Township	\$ 20,439
	<hr/>

**Fund Equity**

Fund Balance	\$ 66,103
	<hr/>
Total Liabilities and Fund Equity	\$ 86,542
	<hr/> <hr/>

See accompanying notes to the financial statements

**ALBA FIRE DEPARTMENT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS  
DECEMBER 31, 2006**

<b>TOTAL FUND BALANCE- GOVERNMENTAL ACTIVITIES PER THE BALANCE SHEET</b>	<b>\$ 66,103</b>
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in the governmental activities are not financial resources and therefore are not used in the funds	272,580
Noncurrent Liabilities are not due and payable in the current period and therefore not reported in the funds	(140,124)
<b>TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES PER THE STATEMENT OF NET ASSETS</b>	<b>\$ 198,559</b>

See accompanying notes to the financial statements

**ALBA FIRE DEPARTMENT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2006**

**REVENUES**

Property Tax Revenue	\$ 73,718
Donations	4,042
Interest Income	811
Miscellaneous Income	798
	<hr/>
Total Revenues	79,369
	<hr/>

**EXPENDITURES**

Debt Service - Truck Payment	20,969
Repairs & Maintenance	7,759
Insurance	6,730
Firefighters Equipment	4,236
Utilities	4,266
Miscellaneous	3,620
Administration	1,910
Education and Training	1,526
Capital Outlay	1,489
Vehicle Gas	1,345
Community Support	1,254
Telephone	1,138
Professional Fees	1,000
Firefighters Supplies	986
Office Supplies	101
Service Charges	367
	<hr/>
Total Expenditures	58,696
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Excess of Revenues over Expenditures	20,673
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Fund Balance - Beginning of Year	45,430
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Fund Balance - End of Year	<u>\$ 66,103</u>
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See accompanying notes to the financial statements

**ALBA FIRE DEPARTMENT  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2006**

<b>CHANGE IN FUND BALANCE - GOVERNMENTAL FUND</b>	<b>\$</b>	<b>20,673</b>
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Amounts reported for governmental activities in the Statement of Activities are different because:

Depreciation expense is reported in the Statement of Activities but not in the governmental fund financial statement		(44,645)
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Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives.		-
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Governmental funds do not report long-term debt; therefore, debt service payments are recorded as an expenditure. However, in the government-wide financial statements, long-term debt is recorded and debt service payments are applied against the outstanding balance or to interest expense.		10,741
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<b>CHANGE IN NET ASSETS - STATEMENT OF ACTIVITIES</b>	<b>\$</b>	<b>(13,231)</b>
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See accompanying notes to the financial statements

**ALBA FIRE DEPARTMENT  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2006**

**NOTE A: ENTITY**

The Alba Fire Department is located in Antrim County, Michigan, and was established jointly by the Townships of Chestonia and Star in order to provide fire protection and rescue services to those Townships. The Department operates under a board that has representatives from both Townships. The primary revenues of the Department come from property taxes levied by both Townships. The Fire Board hires a fire chief to oversee the operational activities of the Department.

**NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**INTRODUCTION**

The accounting and reporting framework and the more significant accounting principles and practices of Alba Fire Department are discussed in subsequent sections of this Note. The remaining notes are organized to provide explanations including required disclosures of the Department's financial activities.

The accounting policies of Alba Fire Department conform to the generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies.

On January 1, 2004, Alba Fire Department adopted the new governmental reporting model and implemented Governmental Accounting Standards Board (GASB) Statement No. 34 "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments" and Statement No. 38 "Certain Financial Statement Note Disclosures".

Under the provisions of GASB Statements No. 34 and 38, the focus of the Department's financial statements has shifted from a fund focus to a government-wide focus.



**ALBA FIRE DEPARTMENT  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2006**

**NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENT PRESENTATION**

***Government-Wide Financial Statements***

The government-wide financial statements include the Statement of Net Assets and the Statement of Activities. These statements report financial information for the Department as a whole, excluding fiduciary activities. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and Department general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers. At this time, the Department has no business-type activities.

The Statement of Activities reports the expenses of a given function offset by program revenues directly connected with functional programs. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity.

Program revenues include: (1) charges for services which report fees, fines and forfeitures, and other charges to users of the Department's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets and include fees to developers. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not included as program revenues are reported as general revenues.

***Fund Financial Statements***

Fund financial statements are provided for governmental, proprietary, and fiduciary funds. Major individual governmental funds are reported in separate columns with composite columns for non-major funds. The measurement focus and basis of accounting for the government-wide and fund financial statements are described in a subsequent section of this note.

**ALBA FIRE DEPARTMENT  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2006**

**NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**FUND TYPES AND MAJOR FUNDS**

***Governmental Funds***

The Department reports the following major governmental fund:

*General Fund* - This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes.

**MEASUREMENT FOCUS AND BASIS OF ACCOUNTING**

The financial statements of the Department are prepared in accordance with generally accepted accounting principles (GAAP). The Department applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The Department does not apply FASB pronouncements or APB opinions issued after November 31, 1989.

**Government-Wide Financial Statements**

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax revenues are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met.

**ALBA FIRE DEPARTMENT  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2006**

**NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (CONTINUED)**

***Governmental Fund Financial Statements***

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available.

Available means collectible within the current period or soon enough thereafter to pay current liabilities. The Department considers revenues to be available if they are collected within 120 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for capital lease payments which are reported as expenditures in the year due.

Major revenue sources susceptible to accrual include: property taxes and investment income. In general, other revenues are recognized when cash is received.

Property tax revenues are recognized as follows:

Properties are assessed as of December 31 and the related property taxes are levied on December 1 of the following year. These taxes are due on February 15; uncollected amounts are subsequently added to the county delinquent tax rolls. A county revolving fund normally pays the balance of the Department's tax levy by May 31 of each year. In accordance with GASB 33 "Accounting and Financial Reporting for Nonexchange Transactions", the Department records the property tax revenue when it becomes an enforceable legal claim for the Department. Therefore, all taxes levied on December 31, 2006, are recorded as revenue in the current year.

**Note:** No property tax revenue from Star Township has been recorded in these financial statements. See note H for further comment.

**ALBA FIRE DEPARTMENT  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2006**

**NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**BUDGET**

Public Act 621 of 1978 as amended provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the Department's actual expenditures and budgeted expenditures for the budgetary funds have been shown on an activity basis. The approved budgets of the Department for these budgetary funds were adopted on an activity level. Budgets as adopted end on December 31, of each year. There are no carryover budget items. During the year ended December 31, 2006, there were no over-expenditures noted.

**CAPITAL ASSETS AND DEPRECIATION**

The Department's property, plant, and equipment, with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. Donated assets are stated at fair value on the date donated. The Department generally capitalized assets with historical cost of \$1,000 or more as purchase and construction outlays occur. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts and the resulting gain or loss is recorded in operations.

Estimated useful lives, in years, for depreciable assets are as follows:

Buildings	25-50
Machinery and equipment	5-10
Fire Trucks/Vehicles	30

Land, construction in progress, and library books and periodicals are not depreciated. With respect to asset improvements, costs over \$1000 should be capitalized if:

1. The estimated life of an asset is extended by more than 25%, or
2. The cost results in an increase in the capacity of the asset, or
3. The efficiency of the asset is increased by more than 10%, or
4. Significantly changes the character of the asset, or
5. In the case of streets and roads, if the work done impacts the "base" structure.
6. Other wise, the cost should be expensed as repair and maintenance.

For information describing capital assets, see Note E.

**ALBA FIRE DEPARTMENT  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2006**

**NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**LONG-TERM DEBT, DEFERRED DEBT EXPENSE, AND BOND  
DISCOUNTS/PREMIUMS**

In government-wide financial statements, outstanding debt is reported as a liability. Bond issuance costs, bond discounts or premiums, and the difference between the reacquisition price and the net carrying value of refunded debt are capitalized and amortized over the terms of the respective bonds using a method that approximates the effect of interest method.

The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures.

**USE OF ESTIMATES**

The financial statements have been prepared in conformity with generally accepted accounting principles as applicable to governments and, as such, include amounts based on informed estimates and judgments of management with consideration given to materiality. Actual results could differ from those estimates.

**NOTE C: CASH**

All cash is maintained in a financial institution in the Antrim County, Michigan area. The cash account consists of all monies that are available to the entity with maturities of less than 90 days. The following represents cash that is insured by FDIC:

	<u>CARRYING AMOUNT</u>	<u>BANK BALANCE</u>
Cash	\$17,769	\$18,501

**Statutory Authority**

Act 217, PA 1982, authorizes the Department to deposit and invest in:

- (a) Bonds and other direct obligations of the United States or its agencies
- (b) Certificates of deposit, savings accounts, deposit accounts, or depository receipts of federally insured banks, insured savings and loan associations or credit unions insured by the national credit union administration that are eligible to be a depository of surplus money belonging to the State under section 5 or 6 of Act 105, PA 1855, as amended

**ALBA FIRE DEPARTMENT  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2006**

**NOTE C: CASH AND INVESTMENTS (CONTINUED)**

Statutory Authority (continued)

- (c) Commercial paper rated at time of purchase within the three highest classifications established by not less than two standard rating services. Maturity cannot be more than 270 days after purchase and not more than 50 percent of any fund may be invested in commercial paper at any time
- (d) United States Government or Federal Agency obligation repurchase agreements
- (e) Banker's acceptance of United States banks
- (f) Mutual funds composed of investments which are legal for direct investments by local unites of government in Michigan

The Department's cash and investments are in accordance with statutory authority.

**NOTE D: CAPITAL ASSETS**

<b><i>Governmental Activities</i></b>	<b><u>Building &amp; Equipment</u></b>	<b><u>Fire and Rescue Vehicles</u></b>	<b><u>Total</u></b>
<i>Capital Assets</i>			
Balance, January 1, 2006	\$ 362,248	\$ 445,268	\$ 807,516
Increases	-	-	-
Decreases	-	-	-
Balance, December 31, 2006	<u>362,248</u>	<u>445,268</u>	<u>807,516</u>
<i>Accumulated Depreciation</i>			
Balance, January 1, 2006	215,574	201,647	417,221
Increases	30,225	14,420	44,645
Decreases	-	-	-
Balance, December 31, 2006	<u>245,799</u>	<u>216,067</u>	<u>461,866</u>
Capital Assets, Net	<u>\$ 116,449</u>	<u>\$ 229,201</u>	<u>\$ 345,650</u>

Depreciation expense is included in the "total" expenses for fire & rescue services in the Statement of Activities.

**ALBA FIRE DEPARTMENT  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2006**

**NOTE E: LONG - TERM DEBT**

On May 26, 2000, the Department through Chestonia and Star Township entered into a capital lease with Kansas State Bank to finance the purchase of a 2000 fire truck pumper. At any point during the lease, the Fire Board may purchase the equipment at a stated option price based upon the year of the agreement. The original amount leased was \$187,601. Annual payments in the amount of \$20,952 began on October 10, 2001. The balance at December 31, 2006 was \$140,124. The future lease obligations as of December 31, 2006 are as follows:

<u>Year</u>	<u>Applied to Interest</u>	<u>Applied to Principal</u>	<u>Purchase Option Price</u>
2007	9,469	11,483	128,125
2008	8,676	12,277	115,360
2009	7,827	13,125	101,779
2010	6,920	14,032	87,331
2011	5,951	15,002	71,959
2012	4,914	16,038	55,604
2013	3,806	17,146	38,205
2014	2,621	18,331	19,694
2015	1,354	19,598	-

**NOTE F: DUE TO OTHER GOVERNMENTAL UNITS**

The Department owes the following governmental entity for payment of the 2006 capital lease payment:

Chestonia Township	<u>\$ 20,439</u>
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**NOTE G: INSURANCE**

The Department is exposed to various risks of losses related to torts; theft or, damage to, and destruction of assets; errors and omission; injuries to employees; and natural disasters. The Department participates in the Michigan Municipal Risk Management Authority (an insurance pool), a self-insured group. The pool is considered a public entity risk pool. The Department pays annual premiums to the pool for the respective insurance coverage. In the event a pool's total claims and expense for a policy year exceed the total normal annual premiums for said year, all members of the pool's policy year may be subject to special assessment to make the deficiency. The pool maintains

**ALBA FIRE DEPARTMENT  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2006**

**NOTE G: INSURANCE (CONTINUED)**

reinsurance for claims generally in excess of \$500,000 for each occurrence with the overall maximum coverage varying depending on the specific type of coverage of reinsurance. The Department has not been informed of any special assessments being required. There were no significant changes in coverage, nor were there any significant claims for the year.

**NOTE H: PENDING LAW SUIT**

As of August 21, 2007, the Department continues to await an "ultimate" legal decision relative to property tax dollars that were not paid over to the Department from Star Township. A recent mediation session took place in order to resolve this matter. A preliminary plan has been established to reward the Department. However, the plan must be approved by Star Township and Chestonia Township before any remuneration will be received by the Department.



**ALBA FIRE DEPARTMENT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<b>ORIGINAL BUDGET</b>	<b>FINAL AMENDED BUDGET</b>	<b>ACTUAL</b>	<b>VARIANCE FROM FINAL AMENDED BUDGET</b>
<b>REVENUES</b>				
Property Tax Revenue	\$ 69,046	\$ 69,046	\$ 73,718	\$ 4,672
Donations	2,000	2,000	4,042	2,042
Interest Income	135	135	811	676
Miscellaneous Income	-	-	798	798
<b>Total Revenues</b>	<b>71,181</b>	<b>71,181</b>	<b>79,369</b>	<b>8,188</b>
<b>EXPENDITURES</b>				
Debt Service - Truck Payment	21,000	21,000	20,969	31
Repairs & Maintenance	2,000	2,000	7,759	(5,759)
Insurance	14,000	14,000	6,730	7,270
Firefighters' Equipment	1,000	1,000	4,236	(3,236)
Utilities	3,000	3,000	4,266	(1,266)
Miscellaneous	1,540	1,540	3,620	(2,080)
Administration Expense	1,800	1,800	1,910	(110)
Education and Training	1,000	1,000	1,526	(526)
Capital Outlay	28,235	28,235	1,489	26,746
Vehicle Gas	2,000	2,000	1,345	655
Community Support	-	-	1,254	(1,254)
Telephone	1,500	1,500	1,138	362
Professional Fees	-	-	1,000	(1,000)
Firefighters' Supplies	1,000	1,000	986	14
Office Supplies	1,000	1,000	101	899
Service Charges	145	145	367	(222)
<b>Total Expenditures</b>	<b>79,220</b>	<b>79,220</b>	<b>58,696</b>	<b>20,524</b>
Excess (Deficiency) of Revenues over Expenditures	(8,039)	(8,039)	20,673	28,712
<b>Fund Balance - Beginning of Year</b>	<b>45,430</b>	<b>45,430</b>	<b>45,430</b>	<b>-</b>
<b>Fund Balance - End of Year</b>	<b>\$ 37,391</b>	<b>\$ 37,391</b>	<b>\$ 66,103</b>	<b>\$ 28,712</b>